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The
Coniagas
MINES, LIMITED

60th
ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1966

The
Coniagas
MINES, LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1966

to be submitted to the
60th ANNUAL GENERAL MEETING
OF SHAREHOLDERS

at
TORONTO, ONTARIO

on
JUNE 23, 1967

HEAD OFFICE

Suite 903, 330 Bay Street, Toronto

MINE OFFICE

DESMARAISVILLE, P.Q.

Directors and Officers

M. J. BOYLEN, D.C.L., D.Sc., Chairman of the Board and Director, Toronto, Ontario
R. J. ISAACS, B.A.Sc., P.Eng., Vice-President and Director - Toronto, Ontario
C. S. KENNEDY, C.A., President and Director - - - - Toronto, Ontario
D. W. GORDON, F.C.I.S., Secretary-Treasurer and Director - Toronto, Ontario
C. B. BRANNIGAN, Director - - - - - - - - Toronto, Ontario

Auditors

SYNDER, CRAIG & COMPANY - - - - - Toronto, Ontario

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA - - - - Toronto, Ontario

Letter to the Shareholders

This, the 60th Annual Report on the affairs of your Company, covers the year ended December 31st, 1966, and includes the company's Consolidated Balance Sheet, Statement of Profit & Loss and Statement of Source & Application of Funds for the fiscal year, your Auditors' Report, and the Report of the Mine Manager.

You have been informed in the Quarterly Reports of the operating results for each of the first three quarters of the year. The final quarter was not sufficiently profitable to overcome the deterioration in the liquid position sustained in the first six months of the year, but was adequate to reduce the cash outflow from operations to \$52,884. from \$104,918. reported September 30th. An additional \$71,133. was expended on outside exploration and property purchase.

The results of the operation of your mine at Bachelor Lake, Quebec, have been disappointing. The heavy exploration program instituted at the beginning of 1963 found widespread zinc-lead-silver mineralization which led management to expect that continued exploration ultimately would produce other ore bodies similar to the original one on which the operation was founded. To the present time, we have been unable to locate additional ore of comparable grade. There is a strong probability that the property does contain other such high grade deposits, but your management considers that the effort has been carried as far as is reasonable in view of the company's total resources. We have been faced with continually rising costs of labour, material and taxes. Our sales contract covering zinc concentrates terminated May 31st, and cannot be renewed on as good terms as we have enjoyed, so, as stated in the special announcement of March 14th, it was decided to suspend milling operations. We have endeavoured, so far without success, to interest outside capital in continuing the search for ore bodies of economic grade in our property. To conserve the Company's resources for favourable looking exploration opportunities, it was decided to terminate all mine operations at your Bachelor Lake property when milling ceased a few weeks ago.

We refer you to the Mine Manager's report for details of the operation during the year under review.

BALANCE SHEET

The following is a comparison of the book and market values of the company's investments on a consolidated basis as at December 31, 1966.

Letter to the Shareholders (Continued)

Units	Security	Book	Market
NOTES			
200,000	Trader's Finance Corporation Limited	\$ 200,000.	\$ 200,000.
BONDS AND DEBENTURES			
20,000	B.C. Electric 4½% bonds due August 1, 1986	20,000.	15,600.
5,000	C.P.R. 4% Coll Tr. bonds due December 1, 1969	5,000.	4,663.
7,500	T. Eaton Acceptance Corporation 4¾% debentures due March 1st, 1974	7,459.	6,591.
10,000	T. Eaton Realty Company 5% bonds due March 15th, 1973	10,000.	9,100.
87,000	Industrial Acceptance Corporation 5½% debenture due July 2, 1973	87,000.	78,191.
SHARES			
16,283	Big Nama Creek Mines Limited (free)	6,259.	4,722.
15,093	(pooled and not valued)	—	—
600	Dome Mines Limited	4,058.	28,200.
265,000	First Maritime Mining Corporation Ltd.	388,400.	689,000.
500	Kerr Addison Mines Limited	850.	6,125.
2,000	Macassa Mines Limited	3,647.	3,600.
950,013	Quebec Sturgeon River Mines Limited	340,892.	218,502.
	Miscellaneous	1,658.	3,828.
	Accrued Income	4,773.	4,773.
		<u>\$ 1,079,996.</u>	<u>\$ 1,272,895.</u>

The per share value of your assets as shown by the Balance Sheets at December 31st, compare as follows:

	1966	1965
Net Current Assets	\$.17	\$.20
Investments at market .....	.43	.71
Advances to Quebec Sturgeon River Mines Limited .....	.09	.09
Mining properties .....	.13	.13
Pre-production and deferred development .....	.43	.43
Buildings, Machinery and Equipment at depreciated values .....	.33	.36
	<u>\$ 1.58</u>	<u>\$ 1.92</u>

PROFIT AND LOSS ACCOUNT

The table below compares the production of 1966 with that of 1965. There was a 14% increase in the number of tons of ore milled; but this was more than offset by the lower grade of the material, so that gross revenues were slightly lower.

	Zinc Concentrates		Lead Concentrates		Silver Bullion
	1966	1965	1966	1965	1966
Production	15,556 tons	16,066 tons	2,006 tons	1,740 tons	545 ozs.
Metal Content — Zinc	53.13%	52.75%	17.83%	15.37%	—
Lead	—	—	29.19%	29.75%	—
Silver	2.70 ozs.	2.74 ozs.	147.49 ozs.	139.83 ozs.	97.2%
Gold .....	.008 oz.	.01 oz.	.41 oz.	.45 oz.	.39%
Value of Contained Metal per unit of production	\$ 169.80	\$ 168.94	\$ 333.51	\$ 337.15	\$ 1.50
Metal not paid for	28.03	28.03	38.41	41.97	.01
Smelting and Refining (including ocean freight on lead concentrates)	49.25	45.22	47.51	41.87	.18
Freight	17.07	17.14	6.50	7.85	—
Duty	6.88	6.82	—	—	—
Net Mine Return	68.57	71.46	241.09	245.46	1.31

Letter to the Shareholders (Continued)

QUEBEC STURGEON RIVER MINES LIMITED

The company resumed the drilling program on its property at Bachelor Lake and 1,438 feet were drilled. This was testing outside anomalies which were not up to ore grade. The original orebody remains as previously reported. The claims formerly held at Gull Pond, Newfoundland were re-acquired by staking and covered by a soil sampling survey which detected some anomalies. Their significance is to be assessed in the current season. A group of 37 claims was staked in the Gordon Meadow Brook area, New Brunswick, to cover anomalies shown by an aerial survey, but as diamond drilling did not confirm that the anomalies were caused by an ore deposit the claims were allowed to lapse.

OUTSIDE EXPLORATION

Work was carried out on the company's patented mining properties in the Red Lake area, but as no ore was discovered, exploration of these claims was not resumed during the past winter. Your company also carried out exploration on a group of claims in the Newcastle area of New Brunswick. Insufficient encouragement was obtained, so these claims were allowed to lapse.

During the year, properties were acquired in the Bruce Peninsula of Ontario, where important looking results from soil sampling have indicated the possible presence of zinc ore bodies. These indications will be further investigated during the current year.

Since the year-end, 50 mining claims have been acquired by staking in the Johan Beetz area, on the north shore of the St. Lawrence River. Uranium mineralization is indicated on these claims, and a survey for concentrations of radiation is to be carried out after spring break-up.

POLICY

Your management proposes to concentrate its efforts on exploration in the hope of locating and developing a profitable mining property.

To all staff and employees we extend our appreciation of their loyalty and splendid efforts throughout the past year.

Respectfully submitted

M. J. BOYLEN, Chairman of the Board

C. S. KENNEDY, President

Toronto, Ontario,
May 31, 1967.

THE CONIAGAS

and its wholly owned subsidiaries

THE CONIAGAS REDUCTION COMPANY

CONSOLIDATED BALANCE SHEET

(With comparative figures for 1965)

ASSETS		1966	1965
Current		\$	\$
Cash		103,753	280,280
Metal settlements outstanding at estimated value		143,718	100,676
Refundable diesel oil taxes		62,745	129,748
Other accounts receivable		13,404	18,679
Accrued interest and dividends		4,773	3,216
Short-term commercial notes receivable		200,000	250,000
Inventory of lead concentrates at estimated sale value		199,833	107,231
Mining stores and supplies, at cost		126,247	141,186
Prepaid expenses		3,652	4,087
		<u>858,125</u>	<u>1,035,103</u>
Shares In and Advances to a Subsidiary Company			
Quebec Sturgeon River Mines Limited (Note 1)			
950,013 shares, at cost		340,892	340,892
(Quoted market value \$218,503 — 1965 \$399,005)			
Advances		281,063	290,400
		<u>621,955</u>	<u>631,292</u>
Investments			
Corporation bonds at cost		129,460	129,454
(Quoted market value \$114,144 — 1965 \$119,305)			
Shares of other mining companies having a quoted market value, at cost less depletion (Note 2)		404,703	405,283
(Quoted market value \$760,904 — 1965 \$1,359,312)			
Shares of other mining companies, at cost		163	169
		<u>534,326</u>	<u>534,906</u>
Fixed			
Surface lands, mining properties, mining plant and miscellaneous equipment (Note 3)		1,400,981	1,463,882
Acquisition of claims (Note 4)			
Deferred Expenditures			
Mine development expenses		1,265,740	1,265,740
		<u>4,681,127</u>	<u>4,930,923</u>

AUDIT

To the Shareholders of
THE CONIAGAS MINES, LIMITED,
Toronto, Ontario.

We have examined the Consolidated Balance Sheet of The Coniagas Mines, Limited as at the year ended on that date and the Notes to the Consolidated Financial Statements and other supporting evidence as we considered necessary in the circumstances.

Operations on the Company's mining property in Quebec were suspended about the middle of the year. In our opinion, the adequacy of the accumulated provisions for depreciation and for the amortization of mine development expenses and, in view of the cessation of operations, the consolidated financial statements are not in accordance with generally accepted accounting principles.

Subject to the above limitations, in our opinion, the attached Consolidated Balance Sheet, and the Consolidated Financial Statements present fairly the financial position of the Company as at the year ended on that date. Except as mentioned above, the Consolidated Financial Statements have been prepared on the same basis as that of the preceding year.

Toronto, Canada,
May 30th, 1967.

MINES, LIMITED

ated subsidiary

IN COMPANY LIMITED

HEET — DECEMBER 31st, 1966

gures for 1965)

LIABILITIES		1966	1965
Current		\$	\$
Accounts payable and accrued liabilities		<u>142,452</u>	<u>198,159</u>
SHAREHOLDERS' EQUITY			
Capital			
Authorized:			
3,000,000 Shares without par value not to exceed in the aggregate	\$3,000,000		
Issued:			
2,984,034 Shares		2,901,775	2,901,775
Contributed Surplus			
Balance unchanged from previous year (Note 5)		8,800	8,800
Retained Earnings			
Balance, end of year		1,628,100	1,822,189
		<u>4,538,675</u>	<u>4,732,764</u>
The Notes attached form an integral part of these Financial Statements.			
Approved on behalf of the Board:			
M. J. BOYLEN, Director.			
C. S. KENNEDY, Director.			
		<u>4,681,127</u>	<u>4,930,923</u>

REPORT

ber 31st, 1966, the Consolidated Statements of Profit and Loss, Retained Earnings and Source and
ments. Our examination included a general review of accounting procedures and such tests of
ial Statements for 1965 and prior years were examined by another firm of auditors.
y, 1967. In view of this and the depreciation rates set out in Note 4 of the Notes to the Consolidated
ion of the Company's mine buildings, surface structures and equipment. No provision has been made
r deferment of this expenditure, except for a pro-rata portion applicable to operations in 1967, is

ated Statements of Profit and Loss, Retained Earnings and Source and Application of Funds and Notes
ember 31st, 1966 and the results of its operations and the source and application of its funds for the
pared in accordance with generally accepted accounting principles applied on a basis consistent with

SNYDER, CRAIG & CO.,
Chartered Accountants.

THE CONIAGAS MINES, LIMITED

and its wholly-owned subsidiary

THE CONIAGAS REDUCTION COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31st, 1966

(With comparative figures for 1965)

	1966	1965
	\$	\$
Metal Revenue		
Production at estimated net realizable value, less marketing expenses	1,535,203	1,559,310
Miscellaneous mine revenue	20,834	18,088
	<u>1,556,037</u>	<u>1,577,398</u>
Operating Costs		
Mining	832,843	852,801
Crushing	113,799	92,493
Milling	334,723	299,749
Supervision and general	317,512	329,100
	<u>1,598,877</u>	<u>1,574,143</u>
Net mine operating loss	42,840	(3,255)
Capital and place of business taxes and license fees applicable to the mining operation	5,051	4,061
	<u>47,891</u>	<u>806</u>
Interest, dividends and miscellaneous income	19,870	10,261
	<u>28,021</u>	<u>(9,455)</u>
Administration and financial expenses	23,376	28,497
Prospecting expenses	52,329	42,466
	<u>75,705</u>	<u>70,963</u>
Net operating loss before depreciation	<u>103,726</u>	<u>61,508</u>
Depreciation:		
Buildings	33,436	32,569
Machinery and equipment	56,922	57,416
	<u>90,358</u>	<u>89,985</u>
Net Loss for the year	<u><u>194,084</u></u>	<u><u>151,493</u></u>

THE CONIAGAS MINES, LIMITED

and its wholly-owned subsidiary

THE CONIAGAS REDUCTION COMPANY LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31st, 1966

(With comparative figures for 1965)

	1966	1965
	\$	\$
Balance, beginning of year	1,822,189	(1,851,681)
Add: Cost of mining properties previously written off, transferred and charged to contributed surplus	—	3,973,700
Adjustment of prior years' depreciation	—	38,733
Gain on sale of investments	—	28,024
		<u>4,040,457</u>
Deduct: Net Loss for the year	194,084	151,493
Loss on disposal of fixed assets	—	16,799
Elimination of prior year's surplus on consolidation by sale of Parent Company shares held by subsidiary	—	198,295
Investments written off	5	—
	<u>194,089</u>	<u>366,587</u>
Balance, end of year	<u>1,628,100</u>	<u>1,822,189</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31st, 1966

(With comparative figures for 1965)

	1966	1965
	\$	\$
Source of Funds		
Issue of capital stock	—	246,775
Sale of investments	—	72,869
Reduction in advance to an unconsolidated subsidiary company	9,337	—
	<u>9,337</u>	<u>319,644</u>
Application of Funds		
Net loss	194,084	151,493
Depreciation	90,358	89,985
Prospecting expenses	52,329	42,466
Miscellaneous adjustments	575	591
	<u>143,262</u>	<u>133,042</u>
Funds applicable to operations	50,822	18,451
Purchase of mining properties	18,804	—
Purchase of fixed assets	8,653	24,935
Prospecting expenses	52,329	42,466
Increase in advance to an unconsolidated subsidiary company	—	14,319
	<u>130,608</u>	<u>100,171</u>
Resulting in an increase (decrease) in working capital	(121,271)	219,473
Working capital, beginning of year	836,944	617,471
Working capital, end of year	<u>715,673</u>	<u>836,944</u>

THE CONIAGAS MINES, LIMITED

and its wholly-owned subsidiary

THE CONIAGAS REDUCTION COMPANY LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31st, 1966

1. The Company owns a 50.15% interest in Quebec Sturgeon River Mines Limited which, in accordance with the practice in prior years is not considered to be sufficient to warrant consolidation of this non-operating subsidiary.
2. In accordance with the Company's established practice, 50% of dividend income received from other mining companies has been credited against the cost of the shares of these mining companies as "depletion". The amount so credited in 1966 was \$570.
3. The Company's fixed assets are summarized below:

	1966 \$	1965 \$
In the Province of Quebec:		
1 Mining concession and 52 mining claims in the Townships of Maisonneuve, Lesueur and Desmaraisville, at a written down value (see "a" below)	387,436	387,436
Mine buildings, surface structures and equipment, at cost less accumulated depreciation of \$810,568 (1965 — \$713,664) (See "b" below)	993,869	1,075,385
In the Province of Ontario:		
2 Lots held in fee simple and options to purchase 6 lots, all in the Township of Eastnor, County of Bruce, at cost (See "c" below)	18,804	—
Head office furniture and fixtures, at cost less accumulated depreciation of \$5,432 (1965 — \$5,243)	865	1,054
Miscellaneous mining claims at nominal values	7	7
	<u>1,400,981</u>	<u>1,463,882</u>

a) The cost of the Company's mining properties in Quebec were written down by \$1,100,000 in 1963 which was the difference between the element of cost of 550,000 of the Company's shares originally issued, therefore, at \$2.50 per share and the market value then of 50¢ per share.

b) Buildings, surface structures and equipment have been depreciated on a straight-line basis at the following rates:

1961	11¼%
1962 and 1963	15 % per annum
1964 to 1966	5 % per annum

c) The 2 lots acquired in fee simple and the protective options on 6 other lots in the Township of Eastnor, County of Bruce were acquired under arrangements originated by Mr. M. J. Boylen who also undertook to transfer to the Company protective options on any other lots in the vicinity that he might subsequently secure. The 2 lots were acquired for \$9,000.00 and the reimbursement of exploration costs incurred by him of \$9,351.32.

The options on 6 lots and options on a further 13 lots transferred to the Company on May 10th, 1967 require payments approximating \$2,013 in 1967, \$2,976 in 1968, \$35,839 in 1969 and \$145,546 in 1970 to maintain these options and eventually to acquire the mineral and surface rights by exercise of the options.

4. Subsequent to the date of the Balance Sheet, 50 mining claims in the Township of Desherbiers and the projected Township 1075, Electoral District of Duplessis, Province of Quebec, were acquired for staking costs of \$3,483.84.
5. In 1965, contributed surplus was reduced by a charge of \$3,973,700 in respect of costs of mining properties written off.

THE CONIAGAS MINES, LIMITED

To the Board of Directors,
The Coniagas Mines, Limited,
Suite 903, 330 Bay Street,
Toronto, Ontario.

REPORT ON OPERATIONS OF THE BACHELOR LAKE PROPERTY, PROVINCE OF QUEBEC, FOR THE YEAR 1966

All exploration and major underground development was suspended in August when it became quite clear that the mill could not handle sufficient tonnage of low grade ore to permit a profitable, self-sustaining operation. The lower grade ore is much harder than that milled previously and production for the year was limited to the capacity of the crushing/grinding circuits. Existing ore reserves did not justify the major capital expenditures necessary to provide additional crushing and power generating capacity.

The labor supply was adequate throughout the year. A three year agreement was negotiated with the U.S.W.A. union. Turnover was substantially reduced. Productivity increased by 26% over 1965.

Little progress was made towards obtaining a cheaper source of electrical power.

MINE

The south-west zone between the 3rd and 5th Levels was developed and brought into production. This zone, although of low grade, is relatively regular and suitable for cheaper shrinkage stoping methods.

The western section of the surface pillar of the Main Zone was mined during the year. Grade was disappointing.

The following is a summary of the statistical details of development and production:

		1964	1965	To Date
Stations	— Tons	—	—	4,939
Drifting	— Feet	1,625	3,990	18,631
Raising	— Feet	2,810	2,432	13,533
Slashing	— Tons	2,937	4,544	22,925
Ore Broken	— Tons	136,617	141,955	701,381
Ore Trammed	— Tons	143,255	123,059	680,229
Ore Remaining	— Tons	21,152	27,790	21,152
Waste Hoisted	— Tons	1,723	3,607	42,612

GEOLOGY

Surface Exploration

The program started in 1964 was suspended early in the year. Nothing of economic interest was located.

Underground Exploration

Relatively little underground exploration was carried out during the year and ore reserves dropped drastically as a result.

Diamond drilling to the north-east indicated that the ore-bearing rhyolite agglomerate series is folded such that it repeats itself below the present productive horizon. Whilst heavy pyrite and traces of zinc-silver mineralization were intersected nothing of ore grade has been discovered to date.

The Coniagas ore bearing structure is open to the south-west and in depth and based on discoveries to date (680,229 tons grading 11.03 Zn, 1.12 Pb, 5.42 Ag mined 1961-66) and present ore leads, is a very attractive target for further exploration.

Underground diamond drilling totalled 18,972 feet.

ORE RESERVES

In a deposit as complex as that at Coniagas it is impossible to calculate ore reserves with the precision and certainty of regular ore bodies. Figures published in previous years have, on balance, been substantiated. The following figures are based on rather less information and on weaker zones than heretofore but are believed to fairly represent the reserves.

	December 31st, 1966			December 31st, 1965		
	Tons	Zn %	Ag. oz.	Tons	Zn %	Ag. oz.
Broken Ore	21,152	4.74	2.92	27,790	7.56	2.53
Proven Ore	13,384	8.26	3.16	88,688	8.35	2.61
Drill Indicated	89,562	5.38	1.80	83,670	7.59	1.70
Possible Ore *	165,702	3.27	2.70	78,409	5.81	0.88
	<u>289,800</u>	<u>4.26</u>	<u>2.46</u>	<u>278,557</u>	<u>7.33</u>	<u>1.84</u>

* Includes 85,072 tons of tailing grading 2.20 Zn, 3.15 Ag.

Reserves include a dilution factor from 10% to 300%. Limited drilling on any zone may not indicate the true silver content.

MILL

Mill operating time was 90.8% of available time for an average of 384 tons per calendar day or 423 tons per operating day. Mill down time was almost entirely due to maintenance and repairs on the crushing and grinding equipment.

Year 1966	Dry Tons	Zn %	Pb %	Ag oz.	Au oz.
Mill Heads	140,093	7.12	0.58	3.14	—
Zinc Concentrate	15,486	53.40	0.34	2.68	—
Lead Concentrate	1,995	17.60	30.78	141.75	0.39
Final Tailing	122,612	1.10	0.12	0.94	—
Metal Recoveries		84.6%	79.3%	70.1%	
Year 1965					
Mill Heads	123,059	8.31	0.52	3.14	—
Zinc Concentrate	16,243	53.35	0.25	2.22	—
Lead Concentrate	1,772	15.80	29.00	138.40	—
Final Tailing	105,044	1.22	0.08	0.99	—
Recoveries		87.4%	86.6%	72.7%	

Respectfully submitted,

THE CONIAGAS MINES, LIMITED,
M. J. KNUCKEY, B.Sc., A.R.S.M.,
Acting Mine Manager.

